COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 0533-01
BILL NO. HB 83
SUBJECT: Economic Development; Taxation and Revenue.
TYPE: Original
DATE: January 15, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	$0	($24,220) to ($5,024,220)	$0 to ($5,000,000)
Total Estimated Net Effect on All State Funds	**$0**	**($24,220) to ($5,024,220)**	**$0 to ($5,000,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this legislation authorizes a tax credit for demolition costs incurred when demolishing a commercial building located in an enterprise zone or satellite zone, for the purpose of constructing a parking lot or housing. The tax credit is equal to the lesser of fifteen percent of the demolition costs or fifty thousand dollars. The tax credit is non-refundable, but may be carried back to any three prior years or carried forward to five subsequent tax years. The certificate of tax credit may be assigned, transferred, sold or otherwise conveyed. A notarized endorsement must be filed with the DOR specifying the name and address of the new owner and the value of the credit. Beginning January 1, 2002, the total amount of this tax credit shall not exceed five million dollars per year.

The number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Tech I for every 3,680 additional tax credits claimed. The Personal Tax Bureau will need on Tax Processing Tech I for every 10,000 additional credits claimed.

The income tax and corporate tax systems will have to be modified to allow for the processing of the returns claiming this credit. The stand alone credit system will also need to be modified. The Department will utilize contract programmers, at a cost of $24,220, due to lack of FTE to handle system changes.

Oversight assumes the DOR could request additional FTE to process the additional credits/returns if the need arises and assumes the programming costs would be expended in FY 2003 since tax credits will be allowed beginning January 1, 2002.

Officials from the **Department of Economic Development (DED)** assume they will have to issue tax credits to qualifying entities as a result of this proposed legislation. The DED assumes the maximum allowed benefit of $5 million/year will probably be used because of the transferability of the credits. Also, with the carry-back provision, a refund of tax dollars for 3 years prior is expected.

The DED assumes that current personnel administering Enterprise Zone program will administer this change to statute. This bill will be applied to all 64 enterprise zones. The sellable/transferable feature of the tax credit will most likely assure the maximum allowed benefit of five million dollars per year will be claimed. Also, with the carry back provisions, DED will refund tax dollars already paid in the prior 3 years.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Public Safety's authority to promulgate rules, regulations, and forms. SOS estimates the department could require approximately 6 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 9 new pages in the Missouri Register at a cost of $23.00 per page. The actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Since the effective date of the allowance of tax credits is January 1, 2002, Oversight assumes the state would begin realizing a reduction in revenue in the filing season starting January 2003, of FY 2003. Oversight has ranged the fiscal impact of the tax credit from no-one utilizing the credit to the full $5,000,000 per year credit being utilized.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Loss - General Revenue Fund			
Tax credits for demolishing commercial buildings in enterprise zones	$0	$0 to ($5,000,000)	$0 to ($5,000,000)
Costs - Department of Revenue			
Programming charges	$0	($24,220)	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**($24,220) to ($5,024,220)**	**$0 to ($5,000,000)**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004

	$0	$0	$0

FISCAL IMPACT - Small Business

This proposal may impact small business that decide to take advantage of the tax credit.

DESCRIPTION

This proposal allows an income tax credit for costs associated with the demolition of commercial structures located in enterprise zones or satellite zones. The tax credit will be non-refundable and equal to 15% of the cost of demolition or $50,000, whichever is less.

Any excess or unused credit may be carried back 3 tax years or forward 5 years. The credit may also be assigned, transferred, or sold through certification through the Department of Economic Development. The maximum amount of state-wide credits authorized cannot exceed $5 million.

This legislation is not federally mandated, would not duplicate any other program, and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development
Office of Secretary of State

NOT RESPONDING: Office of Administration - Budget and Planning

Jeanne Jarrett, CPA
Director
January 15, 2001